DOCUMENT RESUME

ED 306 699 EA 020 999

AUTHOR Sherman, Joel D.
TITLE Strategies for Financing State Dropout Programs. Youth At Risk.
INSTITUTION Education Commission of the States, Denver, Colo.
PUB DATE 87
NOTE 34p.
AVAILABLE FROM Distribution Center, Education Commission of the States, Suite 300 1860 Lincoln Street, Denver CO 80295 (Stock No. AR-87-2; $7.50 plus $1.00 postage and handling).
PUB TYPE Reports - Research/Technical (143)

EDRS PRICE MF01/PC02 Plus Postage.
DESCRIPTORS *Change Strategies; Dropout Characteristics; *Dropout Prevention; *Dropout Programs; *Dropout Rate; Dropout Research; Educational Finance; Elementary Secondary Education; *High Risk Students

ABSTRACT

This paper, the second in an Education Commission of the States (ECS) series, focuses on the planning and financing of dropout prevention programs. Designed as a resource guide, the paper consists of three parts. The first section presents questions asked by policymakers, discusses the process of determining the resources required, and suggests actions to take to ensure a match between programmatic requirements and funding strategies. The second section briefly reviews the range of programs and activities that many states are currently funding to meet the needs of dropouts. The last section draws on recent research and current practice to suggest some approaches that might be used to fund dropout prevention and recovery programs. (SI)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED306699

Strategies For Financing State Dropout Programs

YOUTH AT RISK

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

X This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

S. V. Allen

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

EA020 999

Strategies for Financing State Dropout Programs

Prepared by

Joel D. Sherman
Executive Officer and Senior Associate

Pelavin Associates, Inc.

Consortium on Education and Employment Initiatives for Dropout-Prone Youth

Committee for Economic Development
Council of Chief State School Officers
National Conference of State Legislatures
National Governors' Association
and
Education Commission of the States

Copies of this book are available for $7.50 from the ECS Distribution Center, 1860 Lincoln Street, Denver, Colorado 80295, 303-830-3692. Ask for No. AR-87-2.

©Copyright 1987 by the Education Commission of the States.

The Education Commission of the States is a nonprofit, nationwide interstate compact formed in 1965. The primary purpose of the commission is to help governors, state legislators, state education officials and others develop policies to improve the quality of education at all levels. Forty-eight states, the District of Columbia, American Samoa, Puerto Rico and the Virgin Islands are members. The ECS central offices are at 1860 Lincoln Street, Suite 300, Denver, Colorado 80295. The Washington office is in the Hall of the States, 444 North Capitol Street, Suite 248, Washington, D.C. 20001.

It is the policy of the Education Commission of the States to take affirmative action to prevent discrimination in its policies, programs and employment practices.

Strategies for Financing State Dropout Programs

Prepared by

Joel D. Sherman
Executive Officer and Senior Associate

Pelavin Associates, Inc.

Consortium on Education and Employment Initiatives for Dropout-Prone Youth

Committee for Economic Development
Council of Chief State School Officers
National Conference of State Legislatures
National Governors' Association
and
Education Commission of the States

Copies of this book are available for $7.50 from the ECS Distribution Center, 1860 Lincoln Street, Denver, Colorado 80295, 303-830-3692. Ask for No. AR-87-2.

©Copyright 1987 by the Education Commission of the States.

The Education Commission of the States is a nonprofit, nationwide interstate compact formed in 1965. The primary purpose of the commission is to help governors, state legislators, state education officials and others develop policies to improve the quality of education at all levels. Forty-eight states, the District of Columbia, American Samoa, Puerto Rico and the Virgin Islands are members. The ECS central offices are at 1860 Lincoln Street, Suite 300, Denver, Colorado 80295. The Washington office is in the Hall of the States, 444 North Capitol Street, Suite 248, Washington, D.C. 20001.

It is the policy of the Education Commission of the States to take affirmative action to prevent discrimination in its policies, programs and employment practices.

TABLE OF CONTENTS

Introduction 1

Issues to Address in Planning and Financing Dropout Prevention Programs 3
- The Scope of the Problem 3
- Resource Requirements 5
  - Cost of Program Services 5
  - Program Recipients 6
  - Distribution of Resources for Dropout Prevention 7
  - Coordination of Resources 10
- Linkage with Other Policy Goals 11
- Program Evaluation 12
- Summary 12

State Initiatives in Dropout Prevention 15
- Funding of Current State Dropout Prevention Programs 15
  - General Program Strategies 15
  - Grants Strategies and Funding Mechanisms 16
  - Program Services 17
- Major Programs 17
  - California 17
  - Colorado 18
  - Florida 18
  - Massachusetts 19
  - New York 19
  - North Carolina 19
  - Washington 20
- Other State Programs 20
- Planned Programs 20
  - Connecticut 20
  - Oregon 21
- Summary 21

Strategies for Financing Dropout Prevention Programs 23
- Funding Strategies 23
  - Formula Funding 23
  - Categorical Fundng 24
  - Vouchers 25
- Recommendations 27

Conclusion 29

Resources 31

Foreword

This paper is the second of an Education Commission of the States (ECS) series focusing on the problems of youth at risk of not successfully making the transition to adulthood — the dropout, the underachiever and far too many others of our young people who end up disconnected from school and society. The topic of this paper is one that we frequently get questions on from state policy makers — how to plan and finance dropout prevention programs. As is typical in the intergovernmental model that guides the provision of these services, no one solution emerges from the paper. However, Joel Sherman provides an excellent roadmap through the many policy considerations and examples from our natural policy laboratory, the states.

In addition, the sponsorship of this paper represents an important collaborative effort among organizations committed to identifying solutions to the dropout problem. The Consortium on Education and Employment Initiatives for Dropout-Prone Youth includes the Committee for Economic Development, the Council of Chief State School Officers, the National Conference of State Legislatures, the National Governors' Association and ECS. ECS is very proud of its association with these organizations and will continue to work with them to develop effective opportunities for at-risk youngsters.

Sherman is an accomplished author and scholar in the area of school finance. He has worked on school finance court cases in several states and headed up the National School Finance Study for the U.S. Department of Education.

Finally, this effort at collaboration would not have occurred without the efforts of three key individuals, Evelyn Gansglass and Sandy Gibrell of the National Governors' Association and Cindi Brown of the Council of Chief State School Officers. Their commitment to a quality document and to collaboration was greatly appreciated. Our thanks also go to the Carnegie Corporation of New York for its support of the ECS Youth At Risk project.

Frank Newman

Frank Newman
ECS President

Bob Palaich

Bob Palaich
Project Director

INTRODUCTION

The problem of school dropouts has been the focus of intense public attention over the last few years. The Business Advisory Committee of the Education Commission of the States (ECS), in its 1985 report "Reconnecting Youth", set out the increasing consequences of school dropouts for the nation's well-being and challenged the country's business, education, government, and social service leaders to take the actions necessary to guarantee "disconnected youth" a productive future. Since then, a host of local, state, and national reports have reinforced this message. Some reports, including the monograph recently released by the Institute for Educational Leadership, "Dropouts in America: Enough is Known for Action," have gone so far as to suggest specific strategies and programs to meet the needs of "at-risk" youth and begin to address the dropout problem.

Although there has been a great deal of discussion about the dropout problem both in professional circles and in the popular media, there has been a noticeable absence of attention to the costs associated with addressing the dropout problem and the ways dropout prevention and recovery programs can be financed. To deal with these types of issues, policymakers will need to answer several key questions:

- What is the magnitude of the problem? Where is it concentrated? How is it changing?
- How much do different interventions cost? What are the tradeoffs among them?
- How would new dropout prevention programs "fit" with other existing programs to serve "at-risk" youth? How can resources for different programs be coordinated to ensure optimum utilization and maximum impact?
- How would new dropout prevention programs relate to other policies, such as increased graduation requirements and fiscal equalization?
- How do different strategies for serving at-risk youth and school dropouts work in practice? Are some strategies more effective than others in dropout prevention and recovery?

This paper is designed as a resource guide to assist state policymakers and program planners develop new approaches for financing dropout prevention and recovery programs. The guide will consist of three major sections. The first section of the paper will set out some questions that policymakers need to address in planning new dropout prevention and recovery initiatives. It then will discuss the process of determining the resources that are required to meet programmatic needs and suggest actions to take to ensure that there is a match between programmatic requirements and funding strategies.

The second section will review briefly the range of programs and activities that states currently are funding to meet the academic, personal, and vocational needs of dropouts and potential dropouts. The section will focus both on the types of programs that are being funded and on the ways resources are being distributed to school districts and other types of institutions.

Finally, the last section of the guide will draw on recent research and current practice to suggest some approaches that might be used to fund dropout prevention and recovery programs. The approaches range from such traditional mechanisms as grants competitions to school districts to grants to alternative schools to provide core or supplementary services for at-risk youth. In our review of these different funding strategies, we will attempt not only to describe the funding mechanism but also to discuss the problems associated with it and the ways that these problems can be addressed if the strategy is to be employed successfully.

ISSUES TO ADDRESS IN PLANNING AND FINANCING DROPOUT PREVENTION PROGRAMS

The statistics regarding the magnitude of the dropout problem are alarming. Most estimates place the dropout rate at 14 to 18 percent, but dropout rates for minorities and inner-city youth are estimated at two to three times the national average. Faced with these figures, the first reaction of planners and policymakers is often to jump in and develop new initiatives and get them off the ground as quickly as possible without fully considering either the short- term or long-term consequences of their actions. A more reasoned approach -- and one that is likely to meet with greater success over the long run -- is for policymakers to work through at the outset the answers to a series of key questions about the scope of the problem and the resources that will be needed to meet it. Through this process, policymakers will be in a better position to ensure that there is a match between programmatic needs and the funds to support them.

The Scope of the Problem

The first set of questions that policymakers must address as a precursor to funding dropout prevention initiatives concerns the dimensions of the problem:

How many dropouts are there in the state? Where are they located?

The number of dropouts in a state is one of the most basic pieces of information about a state's education system. And, while it might appear to policymakers that the answer to the question "How many dropouts are there?" would be immediately at hand, in fact this is not the case. At the current time, there are two major national sources of data about school dropouts, but differences in data collection procedures and definitions produce widely divergent estimates about the number of dropouts. At the state and local levels, the problem is even worse. Anecdotes abound about the problems in obtaining accurate and comparable data from schools and school districts on the number of students who drop out each year. The problem is well illustrated in Chicago, where students who leave school before graduation are grouped into nineteen separate categories called "leave codes." These include such categories as "lost -- not coming to school," "needed at home," and "married," along with "dropout." As a result, only a small number of school-leavers are actually listed as dropouts (Hahn and Danzberger).

Even where definitions of dropouts are relatively similar, districts use different methods of calculating dropout rates. Some districts calculate annual dropout rates by dividing the number of dropouts in a particular grade span, e.g., grades 9-12, by the fall enrollment for those grades. Others calculate a cohort rate by dividing the number of students who drop out of high school over a four-year period by the number of entering freshmen. Still other districts are reputed to "adjust" their counting procedures to document the need for resources or to demonstrate progress in

addressing the problem. Just a simple shift from an annual to a cohort rate will make the dropout problem appear worse; the reverse shift would foster the district's reputation as a leader in reducing the dropout problem.

As a first step in assessing the magnitude of the dropout problem, state policymakers must establish a standard definition of a school dropout and require that school districts collect and accurately report these data on a regular, recurring basis. This step will force school districts to pay more attention to the dropout problem -- particularly if funding is tied to accurate reporting of dropout counts -- and will give states the information they need to estimate the resources needed to address it.

What are the characteristics of dropouts and where are they located?

Although the data on the number of dropouts at the local, state, and national levels leave much to be desired, other demographic data and research on school dropouts can be used by policymakers to get a better handle on the problem and on the relative incidence of school dropouts in different parts of the state. We know, for example, that dropout rates for blacks and Hispanics are considerably higher than dropout rates for whites and that dropouts frequently come from large families of low socioeconomic status where a parent or older sibling also has dropped out of school (Cipollone; Rumberger; Sherman). In addition, dropouts are more likely to have histories of school failure, as evidenced by lower academic achievement, lower test scores, high rates of school absence, and retention in earlier grades. Much of this data, including data on age, race and ethnicity, attendance and retention rates, and, in many states, standardized test scores, often are collected at the school or district level by state education agencies. While these data will not correspond precisely with dropout counts -- since not all students with those characteristics or behaviors drop out of school -- they may be used in the absence of accurate, comparable dropout figures, to estimate the magnitude of a state's dropout problem and the relative incidence of at-risk youth or potential dropouts in different areas of the state. These data also can be used as proxy measures for school dropouts in allocating resources for dropout prevention programs.

Is the number of dropouts growing or declining? Will the problem grow or decline in future years?

Of key concern to policymakers as they plan dropout prevention programs is not only the magnitude of the current problem, but whether the problem is likely to grow or decline in the future. To answer these questions, policymakers need to consider several factors. First, what are the trends in the state's overall school enrollment? Is the number of students in the system increasing or decreasing? It is almost self-evident that states such as Florida and Texas, which for several years have been experiencing relatively high rates of enrollment growth, are likely to have more school dropouts in future years than states like Michigan and New York, where enrollments are continuing to decline. Policymakers must nonetheless be sensitive to this factor since it will affect the number of students who may require special services and possibly the type of services they may require.

In addition to looking at overall enrollments, policymakers must focus more specifically on enrollments in the early grades and on the characteristics of children who are entering the school system. Research on school dropouts has found that most students leave school between the ninth and tenth grades -- frequently at the time of transition from junior high school to high school; Hispanic students often drop out even earlier. Recent reports in the professional press and the popular media also indicate that many school systems that still are experiencing an overall decline in enrollment are facing enrollment growth in the early elementary grades due to the baby boomlet of the late 1970s and early 1980s. It is therefore essential for policymakers to closely consider enrollment trends in the elementary school grades, since the population now entering school will create the pool of potential dropouts for the next decade.

They also must consider carefully the student population that the schools will have to educate. As stated above, dropouts tend to come disproportionately from low-income and minority families.

States such as California, where the minority population in the schools is growing quite rapidly -- between 1980 and 1984, minority enrollments in California grew by 25 percent (Office for Civil Rights; Center for Education Statistics) -- therefore are likely to face increases in the number of potential dropouts, while other states such as Idaho and Kansas, with small or declining minority populations, are less likely to experience an increase in the dropout problem. Policymakers must not get caught up in the "California syndrome" and assume that what happens in California now will occur in their own state a few years down the road. They must instead review the demographics of their own state to obtain the best perspective on the current and future dimensions of the dropout problem.

Finally, to obtain the most comprehensive picture of the dropout problem, policymakers must look closely at the changes in the school population within the state, as well as in the state as a whole. Numerous studies on school dropouts provide clear evidence that dropout rates are highest in central city school systems and in poor rural school districts in Appalachia and the deep South (Sherman). Again, however, the situation is not the same in all states. Therefore, only through an analysis of demographic and enrollment trends by school district will policymakers be able to assess where resources are needed and develop funding strategies that direct resources to the places that need them most.

Resource Requirements

Establishing the scope of the dropout problem is simply the first step in developing a strategy to establish programs to address the problem, but it will clearly play a key role in determining the resources that will be required to finance these programs and how these resources should be distributed. However, once the context of the problem has been defined, policymakers next must consider a set of questions about program costs and the mechanisms that will be used to fund these programs. Specifically they must address the following questions:

- What are the resources that are required to address the dropout problem, both in the short run and the long run?
- What institutions should receive program funds?
- How should program resources be distributed?
- How can financial incentives be used to foster the most effective use of resources and program success?
- How can program resources be coordinated with other programs that service at-risk youth and school dropouts?

Cost of Program Services

A key factor influencing the resource requirements of a dropout prevention program is the type of services that the program will support. To state the obvious, certain intervention strategies are likely to be more costly than others. Job training programs that use specialized staff and expensive equipment to provide both academic remediation and vocational training clearly are going to be more expensive to operate than peer tutoring programs that pay older students a modest stipend for tutoring younger children. Ideally, research would be available to policymakers that provides definitive answers about "what works" in dropout prevention and recovery.

Unfortunately, this is not the case. The current state of research at best describes the types of services provided to at-risk youth and school dropouts and the characteristics or components of programs that appear to be "working" (Wehlage; Intercultural Development Research Association; Center for the Study of Social Policy). Policymakers therefore are limited in their ability to estimate

the potential resources required for dropout prevention initiatives. However, several courses of action are open to them.

One course of action would be to study the problem further. This could be done through a combination of two activities: review of evaluation reports on the cost of dropout prevention programs; and a small-scale empirical study of existing programs to analyze the cost of different types of interventions. This approach is the most limited in scale and would entail relatively little financial outlay by the state. It would involve research grants to one or more institutions to assess the status of knowledge on effective practices and possibly small-scale funding of dissemination activities to apprise practitioners of these practices.

A second approach would be to fund a variety of demonstration projects to develop more refined estimates of program costs and at the same time provide the basis for an analysis of the cost-effectiveness of different types of dropout prevention strategies. These projects might be funded through discretionary grants, each of which would take a different approach to addressing the dropout problem. Although demonstrations may not provide the answer to "what works" in dropout prevention, they might provide policymakers with guidance for future projects. In addition, they represent a low-cost option for dealing with the problem.

A third course of action would be to proceed with a full-scale initiative, even though all the evidence about "what works" is not yet available. Policymakers could draw on the available data to develop "ballpark" estimates as data from new programs are generated. Although the full-scale approach is in some ways less systematic than the other two, it is consistent with the dropout prevention literature, which suggests that there is no single solution to the dropout problem. Through experimentation with diverse approaches, policymakers may, in addition to generating comprehensive cost data, also lay the groundwork for making better determinations about "what works" in dropout prevention.

Program Recipients

The vast majority of dropout prevention programs currently in operation are provided exclusively by public school districts. The overriding objective of these programs is to prevent students from leaving high school before graduation. The program focuses either singularly or in combination with one of the following areas: attendance, academic performance, personal and social behavior, and career preparation and job training.

The complexity of the dropout problem in recent years has created a whole new set of providers of dropout prevention services. These include other departments of government, as well as community service agencies, job training organizations, and private industry. Increasingly, we are seeing a proliferation of collaborative arrangements in which schools and non-school agencies work together to provide a set of coordinated services for dropout-prone students and youth who already have left school. In some cases, non-school institutions are committing material and staff resources for schools to use in providing programs and services. In other cases, they are providing services to students directly.

The entrance of new providers of services into the dropout prevention arena raises some critical questions for policymakers: What institutions should be the recipients of dropout prevention funds? Should school districts be the exclusive recipients of funds or should other public and private institutions receive program funding as well? If so, how should funding be distributed to ensure the optimum use of resources?

One option would limit funding exclusively to school districts -- as typically has been the case until the recent past. The presumption here is that schools possess adequate skills and resources to deal effectively with the dropout problem alone and that concentrating resources in school rather than dispersing them among a more diverse array of providers would produce the best results. This

strategy, however, would reinforce the near-monopoly of public schools as providers of educational services and might restrict the development of more innovative approaches to the dropout problem.

A second option would be to provide set-asides of fixed proportions of funds to different types of service providers, broadening the potential array of dropout prevention services and stimulating competition among providers to produce the best results. This approach would guarantee that both schools and other providers receive at least some funding and might thus mitigate the competition for funds to some degree. Under this approach, incentives also could be built into the funding system to develop collaborative arrangements to provide more integrated services to students and minimize service duplication.

Finally, a third option would be to open up all funding to all institutions rather than set aside a share of funds to different types of providers. This approach could use an open-ended grants competition to fund only proposals that qualify under the program's standards. Again, a more open system is likely to generate more intense competition for funding, but this could be overcome by providing incentives for collaborative arrangements. Also, a more open competition runs the risk of dispersing relatively modest funds over too many providers and dissipating the efficacy of resources. Regulations therefore might be needed to ensure that only projects that were sufficient in their size and concentration of resources would be funded under the program.

The determination a state makes about who receives funding inevitably will depend on the state's particular situation. In some states, and in selected localities within these states, there already may exist a network of agencies with the capacity to provide at-risk students with the services they require, either independently or as an adjunct to schools; in other cases, it may have to be created. Similarly, in some states where there is more of a tradition of collaboration between schools and non-school agencies, it may be easier politically for states to fund programs for dropout-prone youth outside the public school setting. In other states, politics may dictate otherwise. The research on dropout prevention, however, does indicate that the linkages between the school, the community, and private business is an important component of many "successful" programs. It therefore may be appropriate for policymakers to foster these linkages through coordinated funding of programs in school districts and other community institutions.

Distribution of Resources for Dropout Prevention

Once determinations are made about the types of programs that will be funded and the resources that are needed to fund them, policymakers then must decide how funds will be distributed. We will assume for the moment that some resources will be made available to non-school agencies, but that the bulk of program funding will be allocated to school districts, as this is standard practice in financing elementary and secondary education. Here again, there are some key questions that need to be addressed:

- Should funding for prevention programs be distributed to all districts or targeted only on districts with high concentrations of dropout-prone youth? If the latter, what criteria should be used to target program funds?

- Should funding be included in the state's general aid formula or distributed through a separate categorical program? Should funding be linked to "ability to pay," as measured by property wealth or personal income?

The questions set out above are not unique to the financing of dropout prevention programs. They are instead the traditional issues that state policymakers face on a recurring basis in financing their regular school programs. In considering whether funds for dropout prevention programs should be distributed through a general aid formula or through a categorical program, policymakers in essence, must decide how much "ability to pay" should come into play in the allocation of resources. Where they decide to distribute funds through a categorical program that does not include a wealth-equalization factor, two districts with the same number -- or proportion -- of

dropout-prone youth would receive equal or equivalent funding, even though one district may well be able to fund the program from its local tax base. The burden of funding therefore will fall disproportionately on the district with the lower tax base. On the other hand, where they decide to use the general aid formula -- or a categorical program with an equalization formula -- they would at least take into account to some extent differences in school districts' fiscal capacity. Thus, even if the dropout problem is the same in both districts, the state would subsidize a larger share of program costs in the district with the snmaller tax base.

The issue of ability to pay becomes particularly significant where there is a lack of correspondence between ability to pay and the scope of the dropout problem. This is often the case in states with large city school districts which have high concentrations of dropout-prone youth, but which may also have relatively large tax bases to support dropout prevention programs. If funds are distributed through a state's basic equalization formula, these districts would receive a smaller share of program funding, even though the dropout problem might be most acute. However, if funds are distributed through an unequalized categorical grant, other districts with higher ability to pay might receive a higher share of program funding, even if their dropout problem is less severe.

In considering whether funding should be through the general aid formula or through a categorical program, policymakers also are implicitly deciding whether all districts should receive aid or whether aid should be targeted only to districts that face a relatively serious dropout problem. It is of course much easier to develop political support for a new program when resources are disbursed universally than when program funds are concentrated on select beneficiaries. Also, an argument can be made that most, if not all, school districts do face a dropout problem that requires remediation and that if the state is providing resources for a program, it has a responsibility to meet the needs of all students. However, the universal funding strategy also has some clear drawbacks, the most obvious being that by spreading funds so thinly in so many places, schools and districts that need the resources most may not receive sufficient resources to meet their needs.

Past experience with discretionary grant programs and Chapter 2 of the Educational Consolidation and Improvement Act, the federal block grant, suggests that small amounts of incremental money in most places will not do much to solve the problem. Given uncertainties about future funding, school officials are more likely to invest in supplies and materials than to develop programs that require longer-term commitments of staff and school resources. Concentrated funding, on the other hand, has been associated with improvements in the education of disadvantaged children under Chapter 1 and in a number of dropout prevention programs. Policymakers clearly will have to weigh the political tradeoffs between general and targeted funding, but both research and good judgment provide support for a more targeted approach.

Still another resource allocation issue that policymakers need to consider concerns the state role in determining which districts will receive funding. One possibility is for states to determine that program decisions are exclusively a local matter: once a district qualifies for funding based on criteria developed for the program, the state will simply issue a check for the appropriate amount and allow the district to use the money for any purpose related to dropout prevention. At the other extreme, states might use a grants competition to award program funds based on state determination of the merits of proposals. Where relatively little funding is available for the program, only districts that rank highest will receive program funding. In the middle ground, states could establish a categorical program that would specify different program models that were eligible for program funding. All districts that qualify for the program would be guaranteed funding as long as their proposed projects conformed to the program requirements. This approach would allow states to determine the types of projects that could be supported under the program and allow districts to develop programs that respond best to local needs. It is also consistent with the dropout literature that suggests that there is not a single solution to the dropout problem.

Another consideration for policymakers is whether local school systems should be required to contribute funds for a dropout program -- possibly through a funds-matching requirement -- or

whether the program should be financed entirely from state funds. In addition, should a state determine that a local match is desirable, it then might have to determine whether those resources can be raised only from the local tax levy or whether they could consist of in-kind services or grants from private foundations or local businesses. Here again, there is evidence both supporting and opposing the use of matching funds. Research has consistently demonstrated that the most successful programs are home-grown and that a local financial investment contributes to a sense of ownership and, consequently, program efficacy. On the other hand, school finance analyses have demonstrated that fiscally pressed school districts are less likely to develop new programs if a match in funds is required. With such a matching requirement, states may well be investing more heavily in school districts that have the capacity to fund a dropout program without state assistance.

Policymakers also need to consider whether districts should be rewarded for success and/or penalized for failure in subsequent funding cycles. Rewards for success in achieving program goals have great appeal to policymakers, since they tie future funding directly to performance. (Incentives and rewards in fact are receiving a fair amount of attention in other areas of public policy, most notably welfare reform.) Strategies and programs that are successful will receive additional funding, while those that are less successful may be given the opportunity to improve, but will lose their funding if they continue to fall short of their goals. In essence, rewards for performance should act as a strong incentive to practitioners to meet their goals of improving student attendance and preventing students from dropping out.

Although incentives and rewards for performance in principle appear to offer great potential for addressing the dropout problem, policymakers must be aware of some of the limitations of this funding strategy. One of the most obvious is the "creaming" phenomenon. Where school officials are going to be judged on their performance, they may be more inclined to select as program participants more capable students who are less likely to drop out of school. The "hard core" problem students are more likely to be excluded from the program because they will increase the program's failure rate.

Policymakers could avoid this problem in one of two ways. One would be through incentives that provide additional funding to programs that enroll more students -- or a higher proportion of students -- with characteristics that make them less likely to succeed. For each student with these characteristics, programs might receive a bonus over their regular allocation. A second would be through regulations that require that only students with certain characteristics be selected for the program or that at least a certain proportion of students be selected from the lowest quartile in attendance or some other factor associated with school dropouts. These incentives or requirements may mitigate the creaming phenomenon but they still may not guarantee that only students most in need will always be selected for the program.

A second problem with incentives for performance is that they tend to encourage the manipulation of data to cast the program in the most favorable light. Changes in the definition of dropouts, in the period of absence for students to be counted as dropouts, and in the method of calculating dropout rates all can create the impression that a program is succeeding when in fact that may not be the case. To avoid this problem, policymakers could specify in advance the measures that will be used to evaluate the program and require that school officials collect and report the information in a standard format. However, these requirements could result in a redirection of resources from program services to recordkeeping and at least create the impression of increased state control.

A third problem with incentives is that they could result in a dilution of standards and lower student academic performance. A reduction in standards occurred, in fact, during the 1970s. As schools sought to retain marginal students in school, they reduced the number of required courses, watered down course requirements, and, in some cases, inflated grades to facilitate accumulation of credits. In reaction to this dilution of standards, many states recently have established minimum course requirements and have raised graduation standards. Some observers argue that this will only work to force the marginal student to drop out of school; others suggest that with adequate

support services for these students, it is possible both to increase standards and to reduce dropout rates.

Finally, we note that even with the best of intentions, data on program outcomes can easily be misinterpreted. Consider, for example, the case of a high school that developed a dropout prevention program with a strong outreach component. The school increased its efforts to bring back to school students with the highest absence rates and the lowest grade point averages. In the first year of program operation, the school's average attendance rate and grade point average declined, at least in part because the least capable students now were attending school, but on a more irregular basis than the rest of the student population. Should this program be characterized as a failure and cut off from funding? Or should the program be re-evaluated using different measures? Or should the period of evaluation be extended, for example, to three years, so that the school's activities have a better chance to take root? Again, the answers to these questions are not easy. They are simply questions that policymakers will need to address should they use an incentive-based strategy to fund dropout prevention programs.

Although the preceding discussion highlighted some of the potential problems with incentive-based funding schemes, the potential of this approach should not be underestimated. If policymakers are sensitive to the problems with this strategy and build in safeguards to minimize potential abuses, this may prove to be a viable funding strategy. However, they may need to proceed cautiously with this type of approach -- possibly on a demonstration basis -- to ensure its ultimate success.

Coordination of Resources

The discussion of issues in financing dropout prevention programs so far has focused on the development and funding of new programs. It is critical to note, however, that there currently exists a host of federal and state programs that provide services for at-risk youth and potential dropouts. At the federal level these include: Chapter 1 grants to local education agencies for compensatory services for the disadvantaged; Chapter 1 grants to state agencies for programs for neglected and delinquent youth; Indian education grants to school districts; bilingual education grants to school districts for bilingual programs; adult education grants to states to assist adults complete an elementary or secondary education; and the High School Equivalency Program, which awards discretionary grants to colleges and universities to provide educational services to low-income migrant farmworkers to help them gain a high school diploma or an equivalency certificate. The Chapter 2 block grant also provides funds to states and school districts for almost any type of elementary or secondary education program. In addition, there are state programs in a number of states that serve similar types of at-risk youth, and, in many local areas, foundations and private businesses now are providing resources for dropout prevention services.

In developing a new dropout prevention initiative, policymakers therefore need to take careful stock of the resources currently available to serve at- risk youth to determine how existing and new program resources can best be coordinated. For several reasons, this is particularly critical in states that already are funding programs for at-risk youth. First, given the scarcity of resources for these programs, there is a strong chance that dropout prevention may compete for funding with compensatory education or bilingual education. Funding a new dropout prevention program by cutting back funds from compensatory education results in no net gain; it may simply shift resources from one level of the system to another. Second, if program funding is not carefully coordinated, there are likely to be duplicative services in some areas -- or for some students -- and gaps in services in others. For example, in a state with its own compensatory education program, at-risk youth in elementary schools may be eligible for program services both under the state program and Chapter 1, while dropout-prone students in middle schools might not be serviced under any program. By coordinating program resources, a state might be able to provide a set of comprehensive services that follow at-risk youth from the early elementary grades through high school. Chapter 1 funds could be targeted on the lower elementary grades, state compensatory funds on the upper elementary grades (or vice versa), and dropout prevention funds targeted on middle school or junior

high school students. With further coordination, vocational educational funds or other discretionary grants could be used at the high school level to provide these students with an integrated program of academic and counseling services and job training.

The potential for coordination, however, is not limited to programs provided by public schools and districts. As indicated previously, funding for dropout prevention programs is provided by a host of federal, state, local, and private agencies to schools, other government agencies, social service organizations, job training institutions, and community-based organizations. Yet all too often students are not aware of, or do not have easy access to, the services available to them. Or institutions are unwilling or unable to work together cooperatively. School officials however, can overcome some of these barriers to cooperation and take the lead in orchestrating potential community resources to better serve at-risk youth.

One step they might take at the outset is an inventory of services that are available -- to assess the potential for resource coordination. They then might review the restrictions in the use of funding from different sources to determine whether administrative or accounting requirements limit or preclude the coordination of program services among different service providers. Where these exist, they might recommend changes in funding structures or administrative requirements that would facilitate, rather than impede, the establishment of collaborative arrangements. The end product of this activity might be a more integrated approach to the provision of services. Schools might focus their dropout prevention and other special program funds on academic remediation, social service agencies on counseling and family support services, and job training institutions on career awareness and job skills. Where one agency does not have the resources to provide all the needed services, other agencies could fill the breach with funding from other sources.

Linkage with Other Policy Goals

Although dropout prevention frequently is considered an end in itself, policymakers must recognize that this policy goal is directly related to other state policies -- some educational, others fiscal. The relationship with course requirements and graduation standards was mentioned previously. Increased course requirements and similar measures designed to ensure that high school graduates have at least minimum competencies in the basic skills and substantive knowledge in core curriculum areas may exacerbate the dropout problem by making it more difficult for dropout-prone youth to complete their high school education. Other policies also may work at cross-purpose with dropout prevention.

In the fiscal area, the strategy used to finance dropout prevention programs also relates to other state policies -- fiscal equalization, for example. Most states currently finance their regular school programs through an equalization formula designed either to guarantee *all* districts a minimum expenditure per pupil or to equalize the revenue yield produced from equal tax effort. To the extent that a state chooses to fund a dropout prevention program through a weighting factor in its general equalization formula, it will reinforce the overall equalization goals of its finance system. However, by funding the program through an unequalized categorical program, the state may counteract these goals and possibly increase fiscal inequalities across school districts. In determining a state's approach to funding, policymakers should consider which finance strategy is most compatible with fiscal equalization.

Conversely, policymakers also need to consider whether their general finance system is compatible with the goals of their dropout prevention program and other programs to serve at-risk youth. As stated previously, there is frequently a mismatch between the incidence of high-risk, dropout-prone youth and the tax base of school districts. In some states, finance systems provide disproportionately large amounts of state aid to school districts with relatively few high-risk youth and disproportionately small amounts of aid to districts with high concentrations of such students. (This is fairly common in populous states where central city school districts have relatively large property tax bases -- which generate smaller amounts of state aid -- and large numbers of at-risk youth.) Under such circumstances, policymakers might wish to consider restructuring their general

aid formula to make state aid more congruent with the educational needs of districts. This is not to suggest that policymakers should overhaul their finance systems simply because resources are required for dropout prevention programs. Rather, it suggests that where resources to finance all education programs are scarce, policymakers should review funding under current state programs to make sure that it is compatible with the state's broader policy objectives.

Program Evaluation

In developing a new program, policymakers frequently are most concerned with passing the program in the legislature and obtaining support for program funding. They therefore may pay less attention to longer-term questions about how the program will work and how successful it will be in meeting its objectives. However, usually within a short time after legislation is passed, policymakers turn their attention to a whole other set of questions.

- What is the money buying?
- How are program funds being used?
- Can resources be used more effectively?
- What are the effects of the program?
- Are certain types of programs more cost-effective than others?

All too often, however, the answers to these questions are not available because steps were not taken at the outset to ensure that the required information would be provided.

To avoid this problem, policymakers can build several elements into a new dropout prevention program. One is an accounting system that will provide such basic information as the number of students served; the characteristics of students served; the types of services provided; total program costs; and the cost of different types of program services. Although these data alone are not adequate to fully assess the effects of the program, they still will provide basic information about program costs and the basis for comparing the relative cost of different types of interventions.

Second is a program evaluation that will provide more comprehensive information about the implementaton of the program and the program's long-term effects. (In the area of dropout prevention, this is particularly critical, as there is currently relatively little solid evaluation data about the efficacy and cost of different intervention strategies.) The evaluation component should include basic descriptive information about the program; the number and the characteristics of program participants; the setting for program services; the types of services provided; the duration and intensity of services; program staff and their characteristics; strengths and limitations of different program components; and outcome data such as attendance rates, course/credit accumulation, grade point averages, and dropout rates. In addition, the evaluation should build in a mechanism for developing and collecting information about a comparison or control group, so that the data can be used to determine not only the effects of particular programs, but also the cost-effectiveness of different types of intervention strategies. Although the data collection requirements of a rigorous evaluation may appear somewhat burdensome to program providers, the benefits of these data should greatly outweigh the burdens both to policymakers and practitioners. For it is only through a systematic evaluation of different types of interventions that more effective solutions to the dropout problem can be developed.

Summary

The development of a dropout prevention program requires that policymakers pay attention to a variety of programmatic and fiscal concerns. These range from the scope of the problem to the cost of different types of interventions to the relationship between dropout prevention and other policy

objectives. It is also essential for policymakers to consider at the outset the potential consequences and effects of a dropout program. By building a solid evaluation component into the program, they are in the best position to make future decisions about both program content and the distribution of program funds.

STATE INITIATIVES IN DROPOUT PREVENTION

During the last few years, dropout prevention and recovery has been at the forefront of attention of state policymakers. The efforts of a number of states, including California, Florida, New York, and North Carolina, are particularly well known, since some of these initiatives have been funded at relatively high levels. However, several other states either are supporting dropout prevention initiatives (in some cases, they are not specifically called by that name) or are now in the process of planning and developing programs. Others have established state policies to encourage local school districts to develop such programs. Moreover, even in states where the dropout issue appears to be dormant, bills providing for prevention or recovery programs often have been introduced in the legislature, although to date these efforts have met with little success. In sum, the landscape of state dropout prevention runs the gamut from inactive to fairly intense. The discussion below first provides a framework for understanding current state programs and then presents an overview of current programs.

Funding of Current State Dropout Prevention Programs

State dropout prevention and recovery programs can be distinguished on a number of key dimensions. These include general program strategies, grants strategies and funding mechanisms, and program services. Each of these elements is present in the state programs that are described later in the section.

General Program Strategies

State programs now in operation reflect a number of strategies for meeting the needs of dropouts and dropout-prone youth. We distinguish here three basic program and funding strategies. These are: grants for demonstration programs or model programs, grants for research and dissemination, and grants for regular programs.

Demonstration or model program grants currently are being used exclusively by states to fund dropout prevention activities where resources are relatively scarce and where the state is either unwilling or unable to provide extensive program funding. In states where this strategy has been used, the state generally has awarded funds through a grants competition, under which proposals using different models for serving dropout-prone youth were solicited. In some of these programs, e.g., in California and New York, only districts with certain characteristics, such as low attendance rates, were eligible to submit proposals under the competition; in other states, such as Massachusetts, all districts were eligible for funding, but preference was given to districts with high levels of student need. In some states, the demonstration was limited to models for serving youth at a particular age level, e.g., middle school students in Florida and lower elementary school students in

Colorado; in others, the local program could serve dropout-prone youth at all levels of the system, but they had to employ different strategies and methods of dropout prevention.

A second strategy of state dropout prevention programs is based on research and dissemination. The premise of this strategy is that we can draw on existing research and practice to identify successful or "effective" practices for serving dropout-prone youth and disseminate such practices to districts and schools with similar types of students. States using this approach are funding research and dissemination activities in two ways. One is an in-house strategy used in California -- additional funding is provided to a special unit in the state education department to identify model programs and provide information about them to school districts around the state. The second is a strategy of grants to institutions of higher education to evaluate demonstration or model programs and disseminate information about them statewide. Florida is using this strategy in conjunction with a strategy of demonstration grants to fund model dropout prevention programs.

The demonstration grants strategy and the research and dissemination strategy both have been criticized as "cosmetic" solutions to the dropout problem. Both create the impression that the state is taking actions to deal with the problem, but neither really contains the resources that are required to address it effectively. Others suggest, however, that these strategies are legitimate responses to the problem. Since the research literature does not provide any definitive answers about "what works" in dropout prevention, and since resources are relatively scarce, experimentation with different program models is an appropriate way to deal with the dropout problem before large-scale funding is undertaken.

Where resources in states have been more abundant, states have gone beyond funding of model or demonstration projects and have used a strategy of funding regular program grants to support dropout prevention activities. Often the grants process has involved at least two stages. In the first stage, the state has supported planning grants to assist school officials develop a program, determine its staffing and resource requirements, and put into place the resources and materials to implement the program on a full scale. The planning grants generally were funded at relatively low levels since services generally were not provided by grantees at this stage of the grants cycle. Following on the planning grant was an implementation grant to carry out the plans that were developed previously. In most state programs, all recipients of planning grants received full-scale implementation grants in the second funding cycle. However, where funding is constrained, states often limit the award of implementation grants only to districts or schools with the most promising program strategies.

Grants Strategies and Funding Mechanisms

States currently are using a variety of mechanisms to fund dropout prevention programs including categorical, competitive, and targeted grants. In most of the discretionary grants programs, funds are distributed by the state based on budgeted or anticipated program costs. Districts or schools submit budgets with their proposals that estimate the costs of providing the proposed services for a particular number of students. Although total program costs divided by the number students in the program will generate unit costs, discretionary grants are generally funded based on total program costs, rather than unit costs. States can, however, and frequently do, fund categorical programs based on unit costs -- but usually not for demonstration or model programs. Categorical funding for educationally disadvantaged students, for example, frequently is based on the number of students to be served multiplied by a cost per student. Since these programs have been in operation for some period of time, states have been able to estimate the cost of the extra services they provide and use this as the basis for recurring program funding.

Although the categorical grant based on competitive or targeted funding is the most prevalent method of funding dropout prevention programs, at least one state, North Carolina, is funding dropout prevention programs through its basic school aid formula. As a state where a relatively large number of school districts have high dropout rates, North Carolina views dropout prevention as part of the state's overall responsibility to provide a basic education to all children. An additional

amount of money therefore is included in each district's funding requirements, which then are provided through a combination of state and local dollars.

This funding mechanism more closely approximates the unit-based approach to funding discussed above under categorical programs. A dollar amount per pupil multiplied by the number of pupils to be served is included in a school district's basic program requirements. The difference between general and categorical funding, however, is that where funding is provided under the general aid formula, program funds usually are generated through a combination of state and local revenues, rather than from state funds exclusively.

In addition to categorical grants and general formula aid, some states use a cost-reimbursement strategy to fund dropout programs. Rather than providing funding for districts based on anticipated or standard costs, programs are reimbursed for costs previously incurred. This strategy is used by Washington to fund educational clinics for school dropouts. Clinics provide instructional services and get reimbursed for them based on the number of hours of instruction and the pupil/teacher ratio in each class. This funding strategy forces clinics to determine the best mix of pupils and teachers in each class so they can recover the costs they incur in operating the program.

Program Services

States currently are using dropout prevention funds to provide a broad range of services for dropout-prone youth and school dropouts. This broad range of services can be grouped into four generic areas: academic improvement, attendance improvement, personal and social adjustment, and career preparation and job training.

In the academic area, the goal of dropout prevention is pursued through a variety of interventions: alternative schools or classes, alternative curricula and instructional techniques, and extracurricular activities. Attendance improvement programs involve more contact and follow-up with parents, rewards for attendance, and better recordkeeping -- frequently a computerized attendance system. Personal adjustment programs involve individual or group counseling, family counseling, the use of mentors or buddies, and frequently, collaborative relationships with social service agencies to provide services to students. Finally, career preparation and job training programs include career counseling and seminars on employability, internships with community service agencies or private employers, modified scheduling to permit after-school employment, and, in some cases, guaranteed employment upon completion of the program or a high school diploma or its equivalent.

Major Programs

Several states have received a great deal of attention for their support of dropout prevention and recovery programs. To provide a better perspective on current state dropout activities, the key features of several state programs are summarized below.

California

The state passed a major five-year dropout initiative in October 1985 under Senate Bill 65 to assist school districts improve their abilities to keep youth in school. In addition to increasing school districts' flexibility to use other categorical aid to develop comprehensive long-range programs to meet the needs of high-risk youth, S.B. 65 contained three major dropout prevention components.

- Motivation and maintenance grants are designed to help schools develop plans to overcome the problems faced by "high-risk" youth. In the first cycle, 1985-86, approximately 200 schools -- fifty school complexes of four schools each -- received $2 million in planning grants under the program. High schools received grants of $6,000; middle schools and elementary schools received grants of $4,000 each. In the second stage, $8 million is allocated for implementation

grants to have outreach consultants assist schools implement these plans and an additional $2 million is allocated for a second cycle of planning grants.

- Alternative education and work center grants are targeted grants to districts with high dropout rates. Their purpose is to: teach basic academic skills, operate a diagnostic center to determine the pupils' needs, and provide a combination of on-the-job training, counseling, and placement services. Union high school districts received planning grants of $8,000 in 1985-86 and an additional fifty districts are receiving grants in 1986-87.

- Educational clinics are designed to assist school dropouts improve their basic academic skills sufficiently to return to an educational program and obtain a diploma or its equivalent. In 1986-87, $2 million was provided to nine public and private entities in the form of reimbursements for diagnostic assessments and up to 225 hours of instruction to enrolled students.

- Other features of S.B. 65 are a model program repository that collects information on intervention strategies to improve the academic performance of at-risk youth, increase pupil attendance, and establish a positive school climate and safer schools.

Colorado

The state currently is funding two dropout initiatives. In 1985, the Educational Quality Act included dropout prevention as part of the reform package. The 2 + 2 Dropout Prevention Program is undertaking a three-pronged attack on the dropout problem. A select number of districts are receiving funding under demonstration grants to pilot projects that have promise for reducing the dropout rate. These projects are concentrating largely on early intervention and prevention programs for young children. These include home/school liaison people working with families of elementary children, summer programs, mentorships in cooperation with local businesses, attendance projects, and parent support programs. During the last two years, Colorado has spent about $480,000 on nine pilot projects around the state.

Since July 1986, Colorado also has been providing funding for the Second Chance Pilot Program for youth age 16 to 21 who have dropped out of high school. The program is designed to provide students who have not completed a high school diploma or an equivalent certificate with the opportunity to complete the requirements. Public schools that are located in or contiguous to school districts with a dropout rate above the statewide average or that offer vocational, technical, or adult education programs are eligible to operate Second Chance programs. Districts operating the program receive funding under the state's general aid formula based on the number of students in the program and the authorized revenue base in the student's district of residence. The operating district receives either 85 percent of the state funds that the home district would receive for the student or the cost of the program, whichever is less. The student's home district receives 10 percent of state funds, and the state retains 5 percent of the funding for administration.

Florida

In 1984 Florida established the Model School Adjustment Program to develop and evaluate research-based model dropout prevention programs for students in grades four to eight who were likely to become academic underachievers, failures, truants, on dropouts, or to manifest severe behavioral problems. Since its inception in 1985, the state has used a grants competition to award funds to school districts. In 1984-85, five grants totaling $322,000 were awarded, with grants ranging in amount from $37,500 to $87,000; a research and validation grant of $53,000 also was awarded to Florida Atlantic University to identify variables present in middle school years, which are predictive of failure or disruption in education. In 1985-86, ten grants totaling $976,600 were awarded, along with a research and validation grant of $99,700. The programs use a variety of strategies to meet the academic and behavioral needs of high-risk students.

Beginning in 1986-87, Florida also is requiring that all school districts establish a remediation program under which qualified school personnel will meet with and counsel students identified as potential dropouts and, where possible, the parents or guardians of such students, to attempt to alleviate the conditions and problems that contributed to the identification of these students as potential dropouts.

Massachusetts

In 1985 the Massachusetts legislature passed Chapter 188 of the Massachusetts School Improvement Act to provide discretionary grants to school districts for dropout prevention. Funds are awarded as competitive grants to individual school districts to develop supplementary efforts for grades seven to twelve. Preference is given to districts with high concentrations of students from low-income families and documented high dropout rates for the most recent three years. As of October 1986, fourty-nine planning and implementation grants totalling $1.55 million were awarded, with an additional $1.37 million available for distribution from November 1986 to June 1987. Programs implemented under the grant included remedial and tutorial programs; counseling programs; work study and cooperative education; programs for parents and community groups; pregnant and parenting teenager programs; and professional development for school personnel.

New York

In 1984 the New York state legislature adopted the Attendance Improvement/Dropout Prevention (AI/DP) Program. Under the program, school districts at or below the 10th percentile in attendance were required to submit a corrective plan to the commissioner of education. The plan had to include methods of identifying at-risk students in the eighth grade and specific actions to increase attendance and retention rates. For the 1984-85 school year, the legislature appropriated $28 million for discretionary grants -- $22.4 million for New York City and $4.8 million for grants to sixty-eight upstate districts that ranged in size from $3,000 to $528,000. In New York City's community school districts and in upstate districts program funds were used most frequently to increase counseling time for students, to increase the number of referrals to outside agencies and to increase parent contact.

For 1985-86, the law and regulations for the AI/DP were changed to require that school districts target funds for programs to school buildings with a truancy rate above the median for the school district and provide services to middle school students. New York City received $21.6 million to serve 27,450 students; sixty-seven upstate districts received $5.3 million to serve 79,000 students. As in the previous year, increased student counseling was the service most frequently provided to students.

North Carolina

In 1985 the North Carolina General Assembly established the state dropout prevention fund as part of its Basic Educational Program, the state's general aid formula. The state board of education subsequently developed a set of policies and procedures that specified the types of programs and activities for which these programs could be used. These included in-school suspensions; counseling for high-risk students; extended school day programs; job placement specialists; school-to-work transition programs; and other special programs for high-risk students such as alternative schools and schools-within-schools. During fiscal 1985 the legislature appropriated $15 million for distribution through the formula to the state's 141 school districts during the 1985-86 school year. Over half the funds were used for in-school suspension programs and another fourth of the funds were used for high-risk counseling. An additional $7 million from other funding sources brought funding for dropout programs to nearly $22 million.

Washington

In 1977 Washington established the educational clinics program. The educational clinics operate under contract with the Office of Public Instruction and provide short-term educational intervention services to students age 13 - 19 who have dropped out of the public school system for at least one month or who have been expelled from school. The goals of the clinics are to enable the dropouts to reenter school, pass the GED test, or gain employment. The clinics are funded through reimbursements by the state for an initial diagnostic test for each entering student, for seventy-five days of instruction, and for an additional sixty days of instruction based on documentation of special needs.

The key components of the educational clinics are: diagnosis of each student's educational abilities, and an individualized, short-term, specialized program based on the diagnosis that aims to improve basic skills, improve motivation, and provide an employment orientation through instruction and experience in applying for and interviewing for jobs.

Washington also is currently funding a discretionary grants program called the High Motivation School Retention Program at a level of $600,000 per year. During 1984-85, thirteen model programs received funding and an additional eleven programs were started 1985-86. Individual programs can receive a maximum of $25,000.

Other State Programs

Although programs specifically designated as "dropout prevention" have received the greatest attention, several states also are providing other special programs to meet the needs of high-risk youth and prevent them from dropping out. These include family life education; alternative education; career/vocational education; adult education dropout centers; GED programs; and a grant program to reduce student disruption in schools. Alaska, for example, funds several programs, including peer tutoring, community education, and alternative high schools that offer non-traditional routes to high school completion; Minnesota funds more than 100 dropout prevention programs throughout the state. New Jersey also funds several programs for at-risk youth, although again they usually are not defined as dropout prevention programs. The grant program is a $1 million initiative to develop six model programs in seventeen districts. These model programs are intended to remove disruptive students and thus improve school environments; provide effective educational alternatives for disruptive students; identify successful elements of model programs for replication statewide; and establish a network for training and sharing information across the state.

Planned Programs

A number of states are currently at the stage of planning and developing new dropout prevention programs. Some are at the more formative phase of the planning process, while others are at the point at which task forces or committees are nearly ready to submit proposals to the legislature. These planning efforts frequently involve the following components: a review of available research on successful dropout prevention programs both within the state and in other states, efforts to standardize the definition of "dropouts" and improve the procedures for collecting data on dropout-prone students and school dropouts, a focus on early prevention and more comprehensive strategies to serve at-risk youth, and a focus on strategies to improve school climate and provide better monitoring of student attendance. The planning activities of two states, Connecticut and Oregon, reflect the breadth of concern with the dropout problem nationwide.

Connecticut

The state board of education in Connecticut has proposed a $2 million grant program to the legislature to provide funds for dropout prevention in 1987-88. The twenty-five school districts with the highest attrition rates would be eligible for grants of $25,000 to $200,000. Each district would be required to submit a program proposal; funds then would cover the needs assessment

plan, implementation, and evaluation. The state department of education would provide resource materials and information about successful dropout prevention programs to local school districts. Some of the major components of the state board's proposal include a focus on national and statewide research efforts to affect systemic change rather than short-term change; a concern with early childhood; and attempts to improve data on dropout counts.

Oregon

In early 1987 Oregon was in the process of developing a three-year plan to address the dropout problem. The plan is based on a preventive early intervention strategy. Beginning with the 1986-87 school year, the state will create a status report on current dropout prevention activity, develop and field-test a student accounting system, and conduct a follow-up study of students who dropped out during the 1981-82 school year. In the second year, it will develop model programs for grades kindergarten through eight, conduct inservice training for teachers and provide a clearinghouse with techniques for school districts to use in developing comprehensive plans. During the second year, local school districts also will begin developing plans for dropout prevention programs. During the third year, school districts will begin implementing these plans.

Summary

The issue of dropout prevention and recovery clearly has captured the attention of policymakers in many states. Moreover, given the magnitude of the problem, we can anticipate that other states that have been relatively inactive on the issue are likely to face increasing pressure to take action to address the problem in the near future. The next section of the paper reviews the strategies that states can use to finance their dropout prevention initiatives.

STRATEGIES FOR FINANCING DROPOUT PREVENTION PROGRAMS

The provision of funds for dropout prevention and recovery can be pursued through a number of funding strategies. These range from categorical or formula grants to institutions, such as schools and other providers of educational services, to grants to individuals, more commonly referred to as vouchers. Moreover, regardless of the funding mechanism, states can regulate the use of funds to varying degrees. State control over the use of funds can range from minimal -- unrestricted general aid -- to moderate -- block grants that can be used for different programs within a particular area -- to restrictive -- categorical grants that can be used only for very specific types of programs. Funds can be further regulated through matching requirements (to qualify for funding, schools or districts would have to contribute a proportion of local funds to the program) or through targeting of funds to particular schools, grade levels, or pupils.

The strategy chosen by the state to finance a dropout program will depend on its political traditions as well as on the interplay between personalities and political forces. In states with a strong tradition of local control, political realities may dictate a less restrictive funding strategy and greater local discretion in the use of funds. In states with a strong tradition of greater centralization, state policymakers may be in a better position to target funds and restrict their use for particular purposes.

Formula Funding

One strategy for distributing funds to local school districts for dropout programs is to use the state's general aid formula. The state could establish a level of expenditure per pupil that districts should have available for dropout programs above the district's basic spending level and provide additional funding in the general aid formula to support that level of spending. In states that use a foundation formula, the combined expenditure per pupil for the foundation program and for dropout prevention would be the same in all districts; the state's share of this spending level however, would be higher in poor districts than in wealthy districts. In states with a percentage equalizing formula or a guaranteed tax base formula, the state would support a different level of per pupil spending in different districts, although again, the state would support a higher share of expenditures in poorer school districts. (Colorado currently is using this approach to support the Second Chance Pilot Program.)

Formula funding has several distinct advantages. First, it gives all school districts the option of participating in the program and, in fiscally-strapped districts, it may provide the additional resources needed to start a new program without taking resources from its basic program. (This, in fact, occurred in Colorado where school districts were able to use additional funds generated under the state's equalization formula to set up alternative programs for school dropouts under the Second

Chance program.) Second, funding is provided on an equalized basis to all school districts: districts with more abundant tax bases thus provide a larger share of program funds than do poor districts. State funding therefore supports, rather than conflicts with, the goals of fiscal equity. Third, formula funding generally requires a local contribution to the program and therefore may contribute to a sense of local "ownership" of the program. Finally, since school officials may have to account to the school board or the electorate for local funds allocated to the program, this funding strategy may promote greater efficiency in the use of resources.

On the other hand, a formula funding strategy has a number of distinct limitations. One mentioned previously is the dispersion of funds throughout a state rather than concentration of funds in high-need areas. Although broader distribution of funds may be the political compromise required to establish a program, it also may produce an inefficient allocation of scarce resources. Another limitation is that there is little guarantee that all of the additional state resources will be used on dropout prevention. Research has in fact demonstrated that general aid is less likely than categorical aid to be used by school districts to supplement school spending; there therefore will be some "slippage" of resources for dropout prevention into other school programs. Districts are also more likely to substitute general aid than categorical aid for local resources. They therefore will use only a portion of new state money to support a dropout program: a portion also will be used for tax relief.

Categorical Funding

A second funding strategy is to establish a separate categorical program for dropout prevention. Within this overall strategy, however, a state can exercise a number of important options in funding programs. One option would be to target funds on a limited number of schools or school districts rather than distributing funds more widely across the state. Several states currently funding dropout prevention programs, including California and New York, do, in fact, target funds on districts with the lowest attendance or highest dropout rates to ensure that resources are concentrated in areas with the most severe problem. Although targeting is often difficult politically, it would appear to offer greater potential for reducing school dropouts than a scattergun approach.

A second option concerns the allocation of resources among targeted districts. Where funds are limited, a state may not be able to fully fund programs in every school or district eligible for funding. States could deal with this problem in several ways. One would be to target program funding to the highest-need districts or to districts with the "best" proposals. A second would be to establish a single limit on funding for individual programs, e.g., $50,000, or a variable limit for programs in schools or districts of different size, e.g., $25,000 in districts with fewer than 10,000 students, $100,000 in larger districts, and fund programs in all eligible districts up to the grant maximum. Still a third approach would be to phase in the program, with full-scale grants in some districts and funding for smaller planning grants in the rest of the eligible pool. Districts with planning grants in the first year of the program would be eligible for full-scale funding in the second year of the program.

Another option for state funding of categorical programs is to require a local contribution to the program. States could require a fixed match from all districts, for example, one local dollar for every five dollars provided by the state, or a variable match based on districts' ability to pay. The closer the mix of state and local funding in a categorical program comes to shares of funding in the general aid program, the more the program resembles an equalized categorical program.

Once basic strategic decisions have been made about funds allocations, states could refine this strategy in several ways. One would be to use incentives to encourage districts to develop certain types of programs or to include in these programs certain practices that are characteristic of "effective" programs in other settings. For example, a state might provide a bonus of five percent of the grant total if a district's program is targeted on middle schools or if the program provides for parental participation or school business collaboration. States also could use financial incentives as a strategy to encourage schools and districts to meet outcome or performance standards, such as

improved attendance or reduced dropout rates. Districts that attain or surpass the established standards could receive funding bonuses in subsequent years; districts that fail to attain these standards would face reduced funding or the elimination of funding in later years.

A more centralized approach to refining a categorical program for dropout prevention and/or recovery would involve regulations that require that schools and districts take certain actions or follow certain procedures. Again, the literature on dropout prevention suggests certain requirements that could be built into dropout programs. These requirements include targeting services to elementary or middle school children to prevent dropout behavior from developing, providing comprehensive academic, counseling, and career preparation services, involving parents in the child's academic program or family counseling; contracting out of services to community-based organizations or social service agencies; or providing job internships with private sector organizations. It is unclear, however, whether these practices are appropriate to all settings or whether they will succeed when they are imposed by an external body. Rather than regulate their inclusion in dropout programs it may be more advisable for state policymakers to require that one or more of these components be incorporated into local programs but leave it to local officials to decide which of these elements are best suited to local conditions.

Vouchers

Funding educational programs through grants to individuals invariably creates an emotional debate. On one side of the debate are individuals concerned with maintaining the integrity of public schools. On the other side are people who argue that parents and students should have the right to choose the institution that best suits the student's needs. It is difficult, given the heat that the term vouchers engenders, to dispassionately analyze the merits of a strategy of funding to individuals to address the dropout problem. The strategy must, however, be given serious attention since, even to a neutral observer in the debate, it is apparent that alternative programs and settings may succeed in preventing some students from dropping out and helping some dropouts obtain a regular high school diploma or its equivalent.

Several strategies can be used to provide individuals with the resources to exercise choice in education. One is to provide direct grants to individuals who then can use this grant at the institution of their choice. Eligibility for the grant, as well as the conditions for its use, can be tightly or loosely regulated by the state, depending on how broadly or narrowly the state wishes to target the program on particular individuals or prescribe the institutions that can provide education or support services. Although individual grants similar to food stamps generally are viewed as the most efficient way to transfer funds to individuals, this practice generally is not considered as a funding strategy, since it provides little guarantee that the individual will use the grant to purchase educational services. Instead, funds generally are provided to institutions that individuals can choose to attend.

The method of providing funds to institutions will depend on a variety of factors: types of services to be provided; the type of institution providing the service; the duration and intensity of service, among them. One strategy that could be used to assist new programs get started would be a per pupil grant based on the cost of educating students in a traditional school setting. Colorado currently is using this approach to provide funding to school districts under the state's Second Chance Pilot Program. The district's authorized revenue base is multiplied by the number of pupils enrolled in the program during a specified attendance period to establish the district's grant under the program. Although this approach assumes a relatively constant enrollment over the period of the grant, the recipient institution may choose to modify the services it offers at different times to accommodate increases or decreases in program enrollment.

A second grant strategy involves what can best be described as "fees for services." Instead of providing institutions with a per pupil grant, the state will reimburse institutions for services provided to individual students. Washington currently is using this strategy to fund educational clinics for school dropouts. The state reimburses clinics for diagnoses of students' educational

needs on a flat fee basis and for instruction on an hourly rate per student that declines with increases in pupil/teacher ratios. This strategy creates uncertainty for providers, since they never know definitively whether state reimbursements will fully cover their program costs. However, the strategy also provides a strong incentive to grantees to maintain student attendance, since recipients are reimbursed only for students when they attend class.

Still another strategy is to tie program funding to student performance. Under this strategy, providers that are more successful in attaining program goals, such as credit accumulation, improved attendance, and school retention, would receive a higher subsidy in future years than less successful providers. Again, Washington's educational clinics reflect this funding strategy to some degree. Each year the state calculates a clinic's score and ranking on a superior performance index that is based on a measure of the "difficulty to educate" a student body and the status of the students upon completion of the program. A portion of the clinic's funding in the next year then is determined by its relative ranking on the previous year's performance index. In principle, clinics that consistently rank low on the index would have their funding terminated. This, however, has not occurred in practice.

RECOMMENDATIONS

The research on dropout prevention suggests several lessons about the way state dropout prevention and recovery programs should be structured and some alternative ways that these programs can be funded.

First, and foremost, states' dropout initiatives should be designed and funded in ways that allow school districts to design programs that match services with the specific needs of individual students. This may be achieved either through categorical grants that provide flexibility in the choice of program services or through a state's general aid formula. However, states must build in requirements into either of these aid mechanisms to ensure that funds are used for dropout prevention and not other purposes.

Second, funding for state dropout prevention initiatives should be targeted not only at high school students who are at immediate risk of dropping out, but also at elementary and middle school students who exhibit the characteristics and behaviors of school dropouts. This can be achieved through grants that limit the use of funds to programs for students in selected grade levels rather than through more open-ended grants.

Third, state dropout prevention programs should be funded in ways that encourage, to the extent possible, parental involvement in the development of his or her child's program and monitoring of a child's progress throughout the course of his or her participation in the programs. This might be accomplished through grant programs that include set-asides for such activities or that provide bonuses for programs that incorporate this component into the school's dropout prevention program.

Fourth, state dropout programs should use a funding strategy that accommodates -- if not encourages -- student choice of settings for programs and program providers. Grants could be provided to other institutions besides schools to provide educational and support services for students who can function better outside the regular school setting.

Finally, state dropout prevention programs should be funded through a strategy that encourages the involvement of the private sector and the larger community. Grants can be provided to both schools and non-school agencies to support special services for at-risk youth and incentive funding can be provided within these grants to schools that establish collaborative arrangements with different types of service providers. Although it should be recognized that schools will, of necessity, continue to play a major role in dropout prevention, other community institutions that have the resources and expertise to work with at-risk youth should be brought into this process.

CONCLUSION

It is clear from the previous discussion that several states have taken the lead in funding programs that include some of these recommendations cited above. As part of their dropout prevention initiatives, they have used funding strategies that range from categorical grants to school districts to reimbursements for services to private for-profit and not-for-profit institutions. They have, in some cases, targeted funds on schools and districts with a high incidence of dropout-prone youth and in other cases have distributed resources more widely across the state. Some programs have targeted funds on children in lower elementary grades or in middle grades, while others have targeted funds on high school students or dropouts. Most, however, have supported a wide range of services to deal with the dropout problem.

These states clearly deserve praise for their dropout initiatives, since they have begun to grapple with a problem that promises to take on increasing importance in the future. However, it must be recognized that most of the funding initiatives undertaken to date have not involved a large-scale commitment of resources to the problem. Even in states like California and New York, which have invested several million dollars for dropout prevention and recovery each year for the last few years, this investment represents but a small fraction of the total spent on elementary and secondary education in these states. Moreover, many of the programs funded in states have been pilot or demonstration programs that will expire this year or next. In some cases, it already has been determined that the program will not be funded in future years; in others, future funding is still uncertain. It is therefore unclear whether states that have begun to tackle the problem are prepared to make the long-term investment of resources that is needed to deal with the dropout problem effectively. Without such a sustained commitment, however, the dropout problem will remain a critical one for the country's education system in the years ahead.

This discussion of strategies to finance dropout prevention programs was not intended to be exhaustive. Instead, it was designed to apprise policymakers of some of the diverse strategies available to them. These include a variety of mechanisms to provide funding to school districts and other public institutions, as well as mechanisms to promote individual choice through financing of programs in private institutions such as educational clinics. As is evident from the discussion in the preceding section, there is no one "correct" strategy to finance dropout prevention programs. Different strategies will be appropriate for different purposes in different settings. Policymakers need to think through the issues raised by different funding strategies to determine which is best suited to their specific conditions and circumstances.